THE EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

Jun 2025

EACT Response – European Commission's Targeted Consultation on Integration of EU Capital Markets

Question: Do you have other recommendations on possible streamlining and simplification of EU law, national law or supervisory practices and going beyond cross-border provision? Please list your recommendation and suggested solutions (5000 character(s) maximum, including spaces)

The European Association of Corporate Treasurers (EACT) welcomes the Commission's commitment toward simplification and burden reduction of the EU financial regulatory framework in the context of the Savings and Investments Union (SIU) agenda. As real-economy users of EU capital markets, we wish to highlight three priority actions that would deliver concrete benefits for EU corporates without compromising financial stability.

1. **Introduce single-sided reporting for corporates under EMIR:**

Non-financial companies (NFCs) enter over-the-counter (OTC) derivative contracts with financial counterparties (FC) to hedge against underlying business risk. Under the EMIR framework, both the NFC and the FC are required to report the details of the same transaction to Trade Repositories, creating a separate and duplicative reporting processes. Other major jurisdictions – including the US – have long implemented this requirement on a "single sided" basis (i.e. only the FC reports for both sides). Moreover, many corporates must navigate a complex and fragmented exemption process to get approval for the intra-group reporting exemption with different national supervisors. Making only the FC responsible for the report of the transaction – as has long been common practice in the US, Switzerland, Canada and Japan – would eliminate duplicate data and significantly reduce reporting costs for European corporates, while supervisors would continue receiving the same data. We therefore suggest amending Article 9 EMIR so that NFC reports are deemed fulfilled once the financial counterparty has reported. This would help to make EU capital markets more attractive to all non-financial companies to set up their treasury functions in the EU, which indirectly would help with the Commission's objective to make European markets deeper and more liquid.

2. **Pursue the simplification agenda throughout the entire regulatory process:**

We call to ensure that the intention of Level 1 legislation is reflected also in its Level 2 implementation. Too often, a high-level political intention expressed in Level 1 is not reflected in the details of Level 2 or 3. For example, the EU Listing Act was meant to reduce the burden for corporates by limiting costs related to producing prospectuses. Yet, ESMA's draft guidelines under the Prospectus Regulation, published on 18 February 2025, risk mandating a new base prospectus each time an issuer adds/changes a security feature (e.g., green bond use-of-proceeds), rather than allowing prospectus supplements (a practice today allowed in some member states). Harmonizing practices (which is here the goal of the guidelines) should not come at the detriment of simplification. The publication of a base prospectus is more than ten times more expensive and significantly longer than issuing a supplement (7-9 weeks on average for a base prospectus vs 3-7 working days for a supplement), which can mean missing market windows and delay issuance, especially for sustainable bonds. In this context, we recommend the Commission to strictly oversee the implementation of Level 1 legislation to ensure that it remains consistent with the intention of co-legislators rather than aligning technical regulation with the most burdensome national practices, as this would go against the EU simplification and burden reduction goal.

3. **Remove burdensome impediments to cross-border corporate activity:**

For example, Slovakia has recently enacted a new so-called "Financial Transaction Tax (FTT)" which taxes outgoing payments with severe extraterritorial effects and impacts on the single market. Whilst being referred to as a "FTT", this is clearly a tax on any "payments". This "FTT" reaches euro accounts held anywhere in the EU, forces corporates to self-assess tax on foreign accounts and exempts cash-pooling only when the flows pass through a Slovak bank. This creates an asymmetrical burden for cross-border companies using foreign accounts and creates a barrier to integrated liquidity management for EU corporates. We call on the Commission to seriously monitor and build mechanisms to effectively ensure that national legislation does not undermine and fragment the single market by creating additional burdens for intra-EU companies operating across Member States. Particularly, EACT urges the Commission to guarantee equal treatment of intra-EU payments as this is crucial for efficient liquidity management of companies operating cross-border.

<u>Question:</u> Please describe the steps and how long it takes to issue securities (and, if applicable other financial instruments) in your Member State, indicating which steps could work better, in particular if undertaken cross-border (i.e. CSD and/or trading venue is in another Member State) (5000 character(s) maximum, including spaces)

To facilitate corporate bond issuance in the EU, EACT would suggest exploring increased automation (end-to-end digitalization) of the issuance and delivery process, encouraging as much as possible the use of a single language of relevant documentation (e.g., constitutional documents, balance sheets, audit certificates), and more harmonized and streamlined regulatory requirements (including on prospectus).

As an example of fragmented and burdensome requirements for corporate bond issuance, in Italy there are particularities in local law requiring more legal support (i.e., more time and higher costs) compared to most central European countries. Additionally, bond issuance in Italy requires to use local Monte Titoli as depository which triggers the need of a local paying agent. These requirements decrease the attractiveness the market and limit it to being local.

Moreover, corporate treasurers call for a more balanced regulatory approach when it comes to bond issuance. One possible solution to reduce documentation and reporting for corporate issuers (e.g. PRIIPs, public offerings, etc.) could be a more proportionate approach to markets with no/very little direct retail participation – as is the case in primary corporate bond markets.

<u>Question:</u> Do you believe that Article 53 of the UCITS Directive should be amended to extend the possibility for UCITS funds to benefit from increased investment limits in a single issuer, even when the fund does not aim to replicate the composition of an index?

Yes

The UCITS investment limit in a single issuer can be problematic for equity fund managers with a focus on companies in a European country using the main stock index as benchmark and orientation. This holds especially true in times where stock performance is more and more driven by a few, outperforming companies.

Equity funds with a focus on national European markets where returns of highly successful companies are artificially capped by UCITS investment limits will lose investors, as they will look for higher returns in funds with a broader regional focus. Affected companies will face increasing difficulties to get money for new business opportunities. In extreme circumstances, they will leave domestic markets and re-list in the US, where deep capital markets, many stock-listed companies and more flexible investment limits reduce the above-described risks.

Therefore, we suggest a better alignment with the rules which exist today for passive asset managers, where the limit is 20 per cent or 35 per cent under certain conditions, in particular for shares.